



## GDP QUARTERLY GROWTH

Hello everyone. Thank you for joining us once again here at Seifried & Brew for our weekly briefing. I am Jamie Sumner, Chief Analyst. For this week's briefing, what we want to do is just review over our **GDP growth**, but over a longer time period in here.

So, what I did is I went back and charted the GDP quarterly growth going back to when they started to record it (Slide 2) and that was back in 1947. So, we have the different periods of growth rates, and as you can see what I did is I averaged the growth rates throughout the different expansionary time periods. One notable fact you can see here is that over this time period we've kind of come down in our average expansion growth rate. Back here in the 1950s, we were at a 7.8% and we've never (during this time period) since have achieved that average growth rate during an expansionary period. In fact, when we look at our current expansionary period, we're here at 2.2%.

So, put a little color on this down here (Slide 3). We have the average quarterly growth rate of GDP during expansionary periods and this would be the average of the positive GDP rate growth rates here. So for the entire time period we're looking at this 4.26% growth rate. So that's the entire period from 1947 all the way up to the second quarter of 2017. Now if we split that up between pre- and post- Great Recession, we can see prior to the Great Recession that average was 4.55%, and then since the Great Recession that average has been 2.36%. So overall we've had a pretty significant reduction in that average growth rate for this post period of the Great Recession. So that's where we are today looking at our growth rate compared to what we've seen in the past. And we've known that we have slowed down somewhat and this just highlights how much that slowdown has been. Now when we look at this, and tomorrow we're going to see that release of the second quarter GDP, we're expecting for that number to increase a little bit. Perhaps up closer to 3%, somewhere around that 2.8%.

When we look at the third quarter of 2017, we can look at the **GDPNow** (Slide 4). You can see how this number has come down from where they originally put it out at 4%; the Atlanta Fed has brought that down to 3.4%, well above what we've seen in the second quarter so far. But 3.4% is very strong in here. We expect this number to come down. Typically, the closer we get to the actual release of the second quarter or a third quarter GDP, we'll start to see this number drop a little bit. But that's where the **Atlanta Fed** has their projection rate now. When we look at the overall geopolitical and we tie in this really slow growth rate, kind of what we expect is a suppression of that 10-year Treasury. This morning down to that 2.10% in here, and expected to even go lower. When we look at that and kind of supporting that reduction in a **10-year Treasury**, we have this overall feeling that we're just going to stay in this really low growth rate for a significant period of time.

You can see here; this is put out by **the International Monetary Fund (IMF)**; this is their GDP outlooks (Slide 5) for the World. If you look at the United States at 2.1% for 2017, the same thing for 2018 at that 2.1%. Notable changes from their April numbers; they brought us down by 0.2% in 2017 and 0.4% in 2018, really backing off those growth rates in here.

We follow that up then with what the **FOMC** has put out. This was their June release (Slide 6); we'll get another one in September. Projections for 2017 for change in **real GDP**; if we look at the median, 2.2% in 2017, 2.1% in 2018, and then 1.9% in 2019. All this information that we're taking in, both the geopolitical items out there with North Korea, as well as the issues we have with our growth rate just continuing to slow down or being very slow in here, (expectations being slow), this would all point to that longer end of the Treasury staying around where it is, or even



going lower in here. So that's something to look forward to (or not really look forward to) but something to keep an eye on.

That's what we have for you this week. Next week, when we see you next Tuesday, we'll look at that second release of the second quarter GDP as well as the August *employment situation* report. Have a great week everyone.!

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